

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

BULLETIN 2000-5

Issued this 11th day of August, 2000

TO: ALL PROPERTY/CASUALTY PERSONAL LINES INSURERS

RE: Limitations on Medical Payments Coverage for Farm Employees

It has come to our attention that there is some confusion over when Farm Liability Coverage, which includes medical payments coverage for farm employees, is a permissible substitute for workers' compensation coverage. The purpose of this bulletin is to clarify the requirements to assist you in offering the appropriate coverage to your insureds.

The circumstances under which farm employees are excluded from coverage by the Workers' Compensation Act are set out in Minn. Stat. 176.041, Subd. 1(b), (c), (e), (f), (h) and (j). If the employee does not fall under any of these categories, a farm liability policy would not be an appropriate source of coverage for the farm insured's employees.

The definition of "family farm" is contained in Minn. Stat. 176.011, Subd. 11a., and basically has two trigger points. If the farm operation pays or is obligated to pay cash wages of less than \$8,000 for services rendered in the preceding calendar year to farm laborers, excluding machine hire, it is excluded from the Workers Compensation Act.

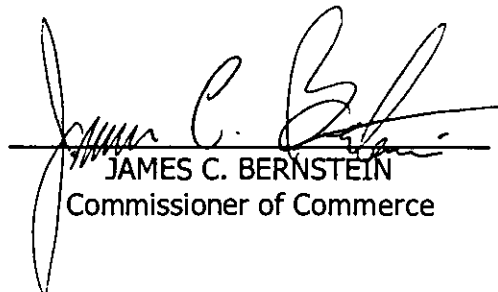
The other trigger to qualify as a "family farm" arises if a farm operation pays, or is obligated to pay, cash wages to farm laborers, exclusive of machine hire, for services rendered in the preceding calendar year in an amount less than the statewide average annual wage, an annual wage based on the statewide average weekly wage as described in Minn. Stat. 176.011, Subd. 20, when the farm operation has total liability and medical payment coverage equal to \$300,000 and \$5,000, respectively, under a farm liability insurance policy, and the policy covers injuries to farm laborers. These limits apply on a per person basis, not an aggregate basis. It has been brought to our attention by the Department of Labor and Industry that farm liability policies that provide less than the minimum statutory limits are being marketed to insureds who would otherwise qualify for this workers' compensation exclusion. Please make sure that at least these limits are being offered in your farm liability program, as our analysts will be closely reviewing all future filings to make sure that these limits are included.

We have consulted with the staff of the Department of Labor and Industry, and together we have drafted a sample statement for insurers to add to their farm liability policies to advise insureds of the limited applicability of this coverage.

All companies must include in their policies or attach via a Notice upon the renewal of each policy, language similar to the following:

"BE ADVISED that this policy only applies to injuries received by employees excluded from coverage by the workers' compensation statutes under Minn. Stat. 176.041, Subd. 1. You may be liable for any claims or expenses occurring outside of the coverage of this policy. As an employer you may be subject to liability for lost wages, medical payments, rehabilitation for work related injuries, as well as additional amounts in penalties if workers' compensation coverage is required and no policy has been obtained. Also, you may be penalized up to \$1,000 per week per employee for any period of non-insurance pursuant to Minn. Stat. 176.181, Subd. 3."

We will expect all companies to file corrected forms containing this type of notice language by March 1, 2001. If you have any questions regarding this bulletin, please call Tammy L. Lohmann at (651) 296-2327.



JAMES C. BERNSTEIN
Commissioner of Commerce